

**TESTIMONY OF THE  
AMERICAN PSYCHOLOGICAL ASSOCIATION PRACTICE ORGANIZATION**

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**At a hearing of the  
Ways & Means Subcommittee on Health  
U.S. House of Representatives**

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**“Expiring Medicare Provider Payment Policies”**

The American Psychological Association Practice Organization is pleased to submit this testimony for your September 21 hearing on “Expiring Medicare Provider Payment Policies.” We are a companion organization to the American Psychological Association that is devoted exclusively to representing the professional interests of practicing psychologists in all settings through a wide range of activities involving legislators and other policy makers, the legal system, purchasers and consumers of health care services and the health care marketplace.

To ensure the viability of the Medicare outpatient mental health benefit, we respectfully request your consideration and support of legislation that would extend through 2012 the law that restored cuts to Part B mental health services made by the Centers for Medicare & Medicaid Services in 2007.

*Mental Health Extender.* Through the Medicare Improvements for Patients and Providers Act of 2008, Congress partially restored the cuts made to psychotherapy reimbursement by the Centers for Medicare & Medicaid Services (CMS) “Five-Year Review” from July 1, 2008 through 2009. This 5% restoration of a cut which was actually 7% has come to be known in the Medicare statute as the “mental health add-on.”

Two subsequent laws then extended the restoration through December 2011. The Patient Protection and Affordable Care Act, passed March 2010, extended the money from January

through December 2010. Following that, the Medicare and Medicaid Extenders Act of 2010, passed in December 2010, extended the money from January through December 2011.

The valuation of psychotherapy codes in the 2011 Five Year Review has been delayed into 2012. Congress should pass new legislation to extend payments through 2012, until the current Five Year Review is completed.

*2006 Five Year Review.* CMS cut by 7% Medicare part B reimbursement for psychologists and social workers effective January 1, 2007 under the Five Year Review (71 Fed. Reg. 37170). Under the Five Year Review rule, CMS increased payments for physician evaluation and management (E&M) codes, raising Medicare costs by \$4.5 billion. Required by law to keep its costs budget neutral, CMS offset the higher E&M payments by reducing the work relative value units (RVUs) for all Medicare services.

Mental health and psychological testing services were hardest hit by the Five Year Review cut since reimbursement values for these services are heavily weighted by work RVUs. E&M services are important, but E&M payments should not be increased at the sacrifice of Medicare mental health services. Psychologists and social workers are not eligible for E&M reimbursement and should not shoulder the burden for the increase in physician E&M payments.

*Effect on Beneficiaries.* Extending psychologist payments cut by the Five Year Review is crucial to protecting access to Medicare mental health services. Psychologists and social workers provide almost all of the Medicare psychotherapy and testing services, but, speaking for psychology, many have indicated that they may have to reduce their caseloads or leave Medicare if they are faced with these reimbursement cuts. Congress, by its restoration of psychotherapy reimbursement, accepted our argument that many senior citizens could lose access to these services. It is important to point out that the restoration applies to the psychotherapy codes, thus all Medicare-authorized providers (psychologists, clinical social workers and psychiatrists) and their Medicare patients have benefited from it.

In a 2008 survey by the American Psychological Association, 11% of psychologists reported that they have dropped out of Medicare participation and a primary reason cited was low reimbursement rates. We estimate that 3,080 psychologists who once participated in Medicare have left the program.

The cost of protecting mental health services through this extender is very low, increasing costs by only \$30 million per year, according to actuary Ron Bachman, FAAA, of Healthcare Visions, who is affiliated with the Center for Health Transformation.

*Cut By MEI Rebasing.* Later in 2011 a technical advisory panel in the Office of the CMS Actuary will be asked to examine the effect of a 4% cut to Medicare part B reimbursement for psychologists due to “rebasing” of the Medicare Economic Index (MEI). In the 2011 fee schedule, CMS used more recent survey data that showed practice expense and malpractice became a larger share of the payment formula while provider’s time became smaller. This increased payments for some services, particularly of professionals who utilize expensive technology.

As in the Five Year Review, due to budget neutrality requirements, CMS reduced other reimbursement work values, which hit services of psychologists and social workers the hardest because they are typically provided at lower cost and lower overhead. Since January 1, 2011 our members have been receiving 4% lower reimbursement for all of their services, not just the psychotherapy which was cut by the Five Year Review.

*These cuts are not related to the Sustainable Growth Rate.* Psychologists were saved from a second and even more devastating reduction when Congressional action halted the projected 25% SGR cut through December 31, 2011. A larger SGR cut is scheduled for January 1, 2012. Ultimately Congress must replace the flawed SGR formula with one that responsibly and permanently addresses provider payments.

We appreciate the Subcommittee’s interest in these important reimbursement matters.